

CITY OF HOLTON, KANSAS

**Financial Statements for the
Years Ended December 31, 2009 and December 31, 2010
And Independent Auditors' Report**

CITY OF HOLTON, KANSAS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Holton, Kansas

We were engaged to audit the accompanying financial statements of the City of Holton, Kansas (City) as of December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

The City does not utilize formal fund accounting system to keep track of receipts and disbursements by category and by fund. As a result, it was not practical to extend our auditing procedures to determine whether the electronic or the manual version was more accurate. In addition the City has other bank accounts and activity which are not included in this audit since the City does not account for them using funds.

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Holton, Kansas, as of December 31, 2010, or the results of its operations for the year then ended.

Because the City does not maintain a standard system for recording receipts and disbursements by category or by fund, we can not express an opinion on the financial statements as listed in the table of contents.

The supplemental schedules for the year ended December 31, 2010, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Holon, Kansas, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organization, and is not a part of the financial statements.

Michael D. Perro, CPA, PA

July 27, 2011

CITY OF HOLTON, KANSAS

**SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2010**

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Fund	\$ 193,919	\$ 1,302,303	\$ 1,405,201	\$ 91,021
Special Revenue Funds:				
Library Fund	6,653	107,198	104,815	9,036
Industrial Development Fund	142,604	21,541	40,669	123,476
Township Fire Fund	4,575			4,575
Liability Insurance Fund	53,537	903	18,359	36,081
Alcoholism Prevention Fund	454			454
Special Parks and Recreation Fund	37,544	55,656	44,080	49,120
Special Highway Fund	98,358	282,558	299,294	81,622
Enterprise Funds:				
Electric Fund	755,343	5,649,841	5,247,921	1,157,263
Water Fund	203,004	1,090,194	1,169,493	123,705
Sewer Fund	45,389	627,502	536,317	136,574
Trash Fund	9,087	139,492	127,637	20,942
Utility Deposit Fund	52,328	36,473	32,301	56,500
Capital Project Funds:				
Capital Improvement Fund	105,548	89,061	1,813	192,796
Equipment Reserve Fund	18,368			18,368
Trust and Agency Funds:				
Insurance Fund	8,277	435,859	428,380	15,756
Municipal Court Fund	10,771	19,770	20,661	9,880
Money Market Interest	21,034	16,750	21,034	16,750
Lieap Fund	2,947	13,275	10,724	5,498
Chevis Fund	685			685
Clock Fund	70	21		91
Youth Programs	10,000		10,000	
Debt Service Funds:				
1992 Principal & Interest Fund	67,038	184,980	184,950	67,068
2004 Principal & Interest Fund	64,016	362,040	361,945	64,111
2009 Principal & Interest Fund	127,480	218,100	270,870	74,710
Water Bond Reserve	37,500			37,500
Bond and Interest Fund	22,756	103,672	125,733	695
Total Reporting Entity	\$ <u>2,099,285</u>	\$ 10,757,189	\$ 10,462,197	\$ <u>2,394,277</u>
Less transfers		<u>1,276,118</u>	<u>1,276,118</u>	
Net Receipts and Disbursements		<u>9,481,071</u>	<u>9,186,079</u>	
COMPOSITION OF CASH:				
Petty Cash			\$	400
Holton National Bank - Operating Account				539,011
Holton National Bank - Other Accounts				574,870
Denison State Bank - Checking and Money Market Accounts				1,188,491
Farmer's State Bank - Checking and Money Market Accounts				259,855
Holton National Bank - Certificates of Deposit				315,500
Farmer's State Bank - Certificates of Deposit				156,105
Denison State Bank - Certificates of Deposit				<u>411,227</u>
Total Cash and Certificates of Deposits				3,445,459
Accounts not included in the above funds				<u>1,051,182</u>
			\$	<u>2,394,277</u>

CITY OF HOLTON, KANSAS

SUMMARY OF DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2010

	<u>Total Disbursements</u>	<u>Total Budget</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 1,405,201	\$ 1,476,510	\$ 71,309
Special Revenue Funds:			
Library Fund	104,815	121,236	16,421
Industrial Development Fund	40,669	159,938	119,269
Liability Insurance Fund	18,359	26,081	7,722
Special Parks and Recreation Fund	44,080	46,000	1,920
Special Highway Fund	299,294	334,675	35,381
Enterprise Funds:			
Electric Fund	5,247,921	5,559,772	311,851
Water Fund	1,169,493	1,170,866	1,373
Sewage Disposal Fund	536,317	865,460	329,143
Trash Fund	127,637	113,680	(13,957)
Capital Project Fund:			
Equipment Reserve Fund		15,000	15,000
Capital Improvement Fund	1,813	150,000	148,187
Debt Service Funds:			
Bond and Interest Fund	<u>125,733</u>	<u>125,734</u>	<u>1</u>
Total Budgeted Funds	<u>9,121,332</u>	<u>\$ 10,164,952</u>	<u>\$ 1,043,620</u>
Non-budgeted Funds:			
Insurance Fund	428,380		
Utility Deposit Fund	32,301		
Municipal Court Fund	20,661		
Money Market Fund	21,034		
1992 Principal & Interest Fund	184,950		
2004 Principal & Interest Fund	361,945		
2009 Principal & Interest Fund	270,870		
Lieap Fund	10,724		
Youth Programs	<u>10,000</u>		
Total Non-budgeted Funds	<u>1,340,865</u>		
	<u>\$ 10,462,197</u>		

CITY OF HOLTON, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual	2010 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem Tax	\$ 700,847	803,862	\$ 843,354	\$ (39,492)
Motor Vehicle Tax	91,060	83,817	90,112	(6,295)
Sales Tax	223,440	219,555	225,000	(5,445)
Local Alcoholic Tax	2,174	2,655	2,382	273
Franchise Fees	121,270	105,144	125,000	(19,856)
License Permits and Fees	14,495	7,528	8,000	(472)
Fees from Fines	11,217	16,909	30,000	(13,091)
Swimming Pool Fees	34,397	33,707	30,000	3,707
Lake Fees	12,421	9,164	10,000	(836)
Miscellaneous	6,581	13,534	45,000	(31,466)
Transfer	182,994		50,000	(50,000)
Interest on Idle Funds	9,685	6,428	16,000	(9,572)
Total Cash Receipts	1,410,581	1,302,303	\$ 1,474,848	\$ (172,545)
CASH DISBURSEMENTS:				
General Administration	28,813	35,182	\$ 46,547	\$ 11,365
Police Department	475,554	498,220	506,050	7,830
Street Department	312,373	332,693	269,520	(63,173)
Fire Department	238,818	233,872	339,643	105,771
Parks Department	286,423	305,234	314,750	9,516
Library	23,689			
Total Cash Disbursements	1,365,670	1,405,201	\$ 1,476,510	\$ 71,309
Receipts (under) over Disbursements	44,911	(102,898)		
UNENCUMBERED CASH, BEGINNING BALANCE	149,008	193,919		
UNENCUMBERED CASH, ENDING BALANCE	\$ 193,919	\$ 91,021		

CITY OF HOLTON, KANSAS

LIBRARY FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 101,858	\$ 95,406	\$ 99,973	\$ (4,567)
Miscellaneous	5,134	17		17
Motor Vehicle Tax	<u>12,130</u>	<u>11,775</u>	<u>12,687</u>	<u>(912)</u>
Total Cash Receipts	119,122	107,198	<u>\$ 112,660</u>	<u>\$ (5,462)</u>
CASH DISBURSEMENTS:				
Personal Services	75,430	101,814	\$ 76,936	\$ (24,878)
Appropriation to Other Unit	30,500		40,000	40,000
Contractual Services and Transfers	<u>13,635</u>	<u>3,001</u>	<u>4,300</u>	<u>1,299</u>
Total Cash Disbursements	<u>119,565</u>	<u>104,815</u>	<u>\$ 121,236</u>	<u>\$ 16,421</u>
Receipts (under) over disbursements	(443)	2,383		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>7,096</u>	<u>6,653</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 6,653</u>	<u>\$ 9,036</u>		

CITY OF HOLTON, KANSAS

INDUSTRIAL DEVELOPMENT FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	2009 Actual	2010 Actual	2010 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem Tax	\$ 21,139	\$ 19,087	\$ 21,128	\$ (2,041)
Motor Vehicle Tax	2,426	2,454	2,427	27
Lot Sale	10,687			
Transfer	<u>49</u>			
Total Cash Receipts	34,301	21,541	\$ <u>23,555</u>	\$ <u>(2,014)</u>
CASH DISBURSEMENTS:				
Contractual Services	5,150	5,000	\$ 10,000	\$ 5,000
Capital Outlay	<u>32,662</u>	<u>35,669</u>	<u>149,938</u>	<u>114,269</u>
Total Cash Disbursements	<u>37,812</u>	<u>40,669</u>	\$ <u>159,938</u>	\$ <u>119,269</u>
Receipts over (under) Disbursements	(3,511)	(19,128)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>146,115</u>	<u>142,604</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>142,604</u>	\$ <u>123,476</u>		

CITY OF HOLTON, KANSAS

TOWNSHIP FIRE

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	2009 Actual	2010 Actual
	<hr/>	<hr/>
CASH RECEIPTS:		
Holton Rural Fire District No. 4	\$	\$
Other	<hr/>	<hr/>
Total Cash Receipts		
CASH DISBURSEMENTS:		
Contractual Services		
Commodities		
Capital Outlay	<hr/>	<hr/>
Total Cash Disbursements	<hr/>	<hr/>
Receipts under Disbursements		
UNENCUMBERED CASH, BEGINNING BALANCE	<hr/> 4,575	<hr/> 4,575
UNENCUMBERED CASH, ENDING BALANCE	\$ <hr/> 4,575	\$ <hr/> 4,575

CITY OF HOLTON, KANSAS

LIABILITY INSURANCE

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 3,663	\$ 61	\$	\$ 61
Motor Vehicle Tax	598	842	906	(64)
Miscellaneous	7,004			
Delinquent Tax	<u>231</u>			
Total Cash Receipts	11,496	903	<u>\$ 906</u>	<u>\$ (3)</u>
CASH DISBURSEMENTS:				
Contractual Services	<u>17,864</u>	<u>18,359</u>	<u>\$ 26,081</u>	<u>\$ 7,722</u>
Total Cash Disbursements	<u>17,864</u>	<u>18,359</u>	<u>\$ 26,081</u>	<u>\$ 7,722</u>
Receipts under Disbursements	(6,368)	(17,456)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>59,905</u>	<u>53,537</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 53,537</u>	<u>\$ 36,081</u>		

CITY OF HOLTON, KANSAS

ALCOHOL SAFETY FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>2010</u> <u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
CASH RECEIPTS:				
Miscellaneous	\$ <u>150</u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
Total Cash Receipts	150			
CASH DISBURSEMENTS				
Transfer	<u>150</u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Disbursements	<u>150</u>	<u> </u>	\$ <u> </u>	\$ <u> </u>
Receipts over Disbursements				
UNENCUMBERED CASH, BEGINNING BALANCE	<u>454</u>	<u>454</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>454</u>	\$ <u>454</u>		

CITY OF HOLTON, KANSAS

SPECIAL PARKS AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>2010</u> <u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
CASH RECEIPTS:				
Reservations	\$	\$	\$	\$
Program Fees	34,455	49,109	45,000	4,109
Donations and Other	7,520	2,804		2,804
Liquor Tax		2,655		2,655
Miscellaneous	<u>11,193</u>	<u>1,088</u>		<u>1,088</u>
Total Cash Receipts	53,168	55,656	<u>\$ 45,000</u>	<u>\$ 10,656</u>
CASH DISBURSEMENTS:				
Personnel Costs	15,372	20,718	\$ 12,000	\$ (8,718)
Contractual Services	3,951	505	4,000	3,495
Commodities	5,796	14,454		(14,454)
Capital Outlay	<u>20,681</u>	<u>8,403</u>	<u>30,000</u>	<u>21,597</u>
Total Cash Disbursements	<u>45,800</u>	<u>44,080</u>	<u>\$ 46,000</u>	<u>\$ 1,920</u>
Receipts over Disbursements	7,368	11,576		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>30,176</u>	<u>37,544</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 37,544</u>	<u>\$ 49,120</u>		

CITY OF HOLTON, KANSAS

SPECIAL HIGHWAY FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
State Gas Tax	82,803	\$ 87,924	\$ 96,030	\$ (8,106)
Local Sales Tax	190,785	186,667	180,000	6,667
Reimbursement	<u>1,304</u>	<u>7,967</u>	<u>2,000</u>	<u>5,967</u>
Total Cash Receipts	274,892	282,558	\$ <u>278,030</u>	\$ <u>4,528</u>
CASH DISBURSEMENTS:				
Personal Services	101,579	100,710	\$ 90,000	\$ (10,710)
Contractual Services	660	513	2,000	1,487
Commodity Expense	99,862	146,491	134,500	(11,991)
Capital Outlay		33,405	90,000	56,595
Debt Service	<u>18,175</u>	<u>18,175</u>	<u>18,175</u>	
Total Cash Disbursements	<u>220,276</u>	<u>299,294</u>	\$ <u>334,675</u>	\$ <u>35,381</u>
Receipts over (under) Disbursements	54,616	(16,736)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>43,742</u>	<u>98,358</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>98,358</u>	\$ <u>81,622</u>		

CITY OF HOLTON, KANSAS

ELECTRIC FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>2010</u> <u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
CASH RECEIPTS:				
Sales and Charges	\$ 3,406,627	\$ 3,697,481	\$ 3,200,000	\$ 497,481
Fuel Cost	1,972,644	1,766,452	2,100,000	(333,548)
Light Rental	29,227	31,172	28,000	3,172
Reimbursed Expenses	177,822	74,369		74,369
Penalties and Other	146,224	80,367	140,000	(59,633)
Total Cash Receipts	5,732,544	5,649,841	\$ 5,468,000	\$ 181,841
CASH DISBURSEMENTS:				
Administration				
Personal Services	195,994	170,867	\$ 195,770	\$ 24,903
Contractual Services	41,951	16,477	45,000	28,523
Commodities	10,442	52,037	12,000	(40,037)
Capital Outlay and Sales Tax	148,264	224,176	136,500	(87,676)
Miscellaneous	12,674	880		(880)
Transfer	9,399			
Production				
Personal Services	440,424	457,754	400,000	(57,754)
Contractual Services	2,689,926	2,772,437	3,000,000	227,563
Commodities	201,158	220,631	271,900	51,269
Capital Outlay	49,895	12,877	20,000	7,123
Transfer	569,790	500,845	546,896	46,051
Distribution				
Personal Services	349,643	352,192	340,336	(11,856)
Contractual Services	122,074	67,738	123,000	55,262
Commodities	59,981	126,177	47,500	(78,677)
Capital Outlay	20,362	8,558	150,000	141,442
Transfer	277,090	264,275	270,870	6,595
Total Cash Disbursements	5,199,067	5,247,921	\$ 5,559,772	\$ 311,851
Receipts over Disbursements	533,477	401,920		
UNENCUMBERED CASH, BEGINNING BALANCE	221,866	755,343		
UNENCUMBERED CASH, ENDING BALANCE	\$ 755,343	\$ 1,157,263		

CITY OF HOLTON, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual	2010 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales and Other Charges	\$ 954,720	\$ 955,984	\$ 950,000	\$ 5,984
PWWSD Contract	120,000	120,133	120,000	133
Farm Income	3,023	1,551	3,000	(1,449)
Miscellaneous and Transfer	38,612	12,526		12,526
Total Cash Receipts	1,116,355	1,090,194	\$ 1,073,000	\$ 17,194
CASH DISBURSEMENTS:				
Administration				
Personal Services	163,177	153,559	\$ 142,000	\$ (11,559)
Contractual Services	13,082	3,908	15,000	11,092
Commodities	2,064	618	3,000	2,382
Capital Outlay			105,000	105,000
Miscellaneous	9,742	6,815	9,000	2,185
Production				
Personal Services	160,121	251,871	160,000	(91,871)
Contractual Services	438,455	495,611	408,500	(87,111)
Commodities	25,352	30,162	27,250	(2,912)
Debt Service		12,495		(12,495)
Capital Outlay and Miscellaneous	7,856	2,037		(2,037)
Distribution				
Personal Services	51,813	88,886	53,000	(35,886)
Contractual Services	26,296	20,548	40,000	19,452
Commodities	38,185	32,362	30,000	(2,362)
Capital Outlay	10,639	5,000	100,000	95,000
Debt Service	75,906	65,621	78,116	12,495
Total Cash Disbursements	1,022,688	1,169,493	\$ 1,170,866	\$ 1,373
Receipts over (under) Disbursements	93,667	(79,299)		
UNENCUMBERED CASH, BEGINNING BALANCE	109,337	203,004		
UNENCUMBERED CASH, ENDING BALANCE	\$ 203,004	\$ 123,705		

CITY OF HOLTON, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual	2010 Budget	Variance Favorable (Unfavorable)	
CASH RECEIPTS:					
Sewer Charges	\$ 548,683	\$ 548,386	\$ 750,000	\$ (201,614)	
Miscellaneous Income	265	79,116		79,116	
Total Cash Receipts	548,948	627,502	\$ 750,000	\$ (122,498)	
CASH DISBURSEMENTS:					
Administration					
Personal Services	6		22,050	22,050	
Contractual Services	1,173	1,000	6,000	5,000	
Debt Service	76,080				
Transfer	137,647				
Treatment					
Personal Services	115,925	57,391	123,900	66,509	
Contractual Services	63,057	89,349	82,400	(6,949)	
Commodities	66,050	56,338	66,400	10,062	
Capital Outlay	7,339		100,000	100,000	
Debt Service	147,080	223,159	223,160	1	
Miscellaneous					
Collection					
Personal Services	91,350	44,256	95,550	51,294	7339
Contractual Services	52,229	5,220	34,000	28,780	
Commodities	8,883	14,312	12,000	(2,312)	
Capital Outlay	9,610	45,292	100,000	54,708	
Total Cash Disbursements	776,429	536,317	\$ 865,460	\$ 329,143	
Receipts (under) over Disbursements	(227,481)	91,185			
UNENCUMBERED CASH, BEGINNING BALANCE	272,870	45,389			
UNENCUMBERED CASH, ENDING BALANCE	\$ 45,389	\$ 136,574			

CITY OF HOLTON, KANSAS

TRASH FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Collection Fees	\$ <u>139,608</u>	\$ <u>139,492</u>	\$ <u>116,000</u>	\$ <u>23,492</u>
Total Cash Receipts	<u>139,608</u>	<u>139,492</u>	<u>\$ 116,000</u>	<u>\$ 23,492</u>
CASH DISBURSEMENTS:				
Contractual Services	131,347	119,637	\$ 113,680	\$ (5,957)
Transfer	3,477			
Refund	<u> </u>	<u>8,000</u>	<u> </u>	<u>(8,000)</u>
Total Cash Disbursements	<u>134,824</u>	<u>127,637</u>	<u>\$ 113,680</u>	<u>\$ (13,957)</u>
Receipts over Disbursements	4,784	11,855		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>4,303</u>	<u>9,087</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>9,087</u>	\$ <u>20,942</u>		

CITY OF HOLTON, KANSAS

UTILITY DEPOSIT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
	<hr/>	<hr/>
CASH RECEIPTS:		
Utility Deposits	\$ 34,402	\$ 36,473
	<hr/>	<hr/>
Total Cash Receipts	34,402	36,473
	<hr/>	<hr/>
CASH DISBURSEMENTS:		
Refunds and Transfer	37,380	32,301
	<hr/>	<hr/>
Total Cash Disbursements	37,380	32,301
	<hr/>	<hr/>
Receipts over (under) Disbursements	(2,978)	4,172
	<hr/>	<hr/>
UNENCUMBERED CASH, BEGINNING BALANCE	55,306	52,328
	<hr/>	<hr/>
UNENCUMBERED CASH, ENDING BALANCE	\$ 52,328	\$ 56,500
	<hr/>	<hr/>

CITY OF HOLTON, KANSAS

**CAPITAL IMPROVEMENT
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Local Sales Tax and Jackson County	\$ <u>98,128</u>	\$ <u>89,061</u>	\$ <u>90,000</u>	<u>939</u>
Total Cash Receipts	98,128	89,061	\$ 90,000	\$ 939
CASH DISBURSEMENTS:				
Capital Outlay	<u>169,120</u>	<u>1,813</u>	\$ <u>150,000</u>	\$ <u>148,187</u>
Total Cash Disbursements	<u>169,120</u>	<u>1,813</u>	\$ <u>150,000</u>	\$ <u>148,187</u>
Receipts over (under) Disbursements	(70,992)	87,248		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>176,540</u>	<u>105,548</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>105,548</u>	\$ <u>192,796</u>		

CITY OF HOLTON, KANSAS

EQUIPMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	2009 Actual	2010 Actual	2010 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Operating Transfers In	\$ _____	\$ _____	\$ 100,000	\$ (100,000)
Total Cash Receipts			\$ 100,000	\$ (100,000)
CASH DISBURSEMENTS:				
Capital Outlay	_____	_____	\$ 15,000	\$ 15,000
Total Cash Disbursements	_____	_____	\$ 15,000	\$ 15,000
Receipts under Disbursements				
UNENCUMBERED CASH, BEGINNING BALANCE	18,368	18,368		
UNENCUMBERED CASH, ENDING BALANCE	\$ 18,368	\$ 18,368		

CITY OF HOLTON, KANSAS

INSURANCE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
CASH RECEIPTS:		
Receipts for Premiums	\$ <u>419,617</u>	\$ <u>435,859</u>
Total Cash Receipts	<u>419,617</u>	<u>435,859</u>
CASH DISBURSEMENTS:		
Contractual	<u>412,883</u>	<u>428,380</u>
Total Cash Disbursements	<u>412,883</u>	<u>428,380</u>
Receipts over Disbursements	6,734	7,479
UNENCUMBERED CASH, BEGINNING BALANCE	<u>1,543</u>	<u>8,277</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>8,277</u></u>	\$ <u><u>15,756</u></u>

CITY OF HOLTON, KANSAS

MUNICIPAL COURT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
CASH RECEIPTS:		
Fees	\$ 21,180	\$ 19,770
Total Cash Receipts	21,180	19,770
CASH DISBURSEMENTS:		
Bond refund and Other		1,121
Restitution	480	261
State Fines & Fees	3,179	2,370
Local Fines & Fees	11,567	16,909
Total Cash Disbursements	15,226	20,661
Receipts over (under) Disbursements	5,954	(891)
UNENCUMBERED CASH, BEGINNING BALANCE	4,817	10,771
UNENCUMBERED CASH, ENDING BALANCE	\$ 10,771	\$ 9,880

CITY OF HOLTON, KANSAS

MONEY MARKET FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
CASH RECEIPTS:		
Interest on Idle Funds	\$ 21,034	\$ 16,750
Total Cash Receipts	21,034	16,750
CASH DISBURSEMENTS:		
Transfer to Other Funds		21,034
Total Cash Disbursements		21,034
Receipts over (under) Disbursements	21,034	(4,284)
UNENCUMBERED CASH, BEGINNING BALANCE		21,034
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>21,034</u>	\$ <u>16,750</u>

CITY OF HOLTON, KANSAS

LIHEAP FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	2009 Actual	2010 Actual
CASH RECEIPTS:		
Interest and Transfer	\$ 15,819	\$ 13,275
Total Cash Receipts	15,819	13,275
CASH DISBURSEMENTS:		
Contractual Services	12,966	10,724
Total Cash Disbursements	12,966	10,724
Receipts over Disbursements	2,853	2,551
UNENCUMBERED CASH, BEGINNING BALANCE	94	2,947
UNENCUMBERED CASH, ENDING BALANCE	\$ 2,947	\$ 5,498

CITY OF HOLTON, KANSAS

SITZLER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
CASH RECEIPTS:		
Services and Charges	\$	\$
Reimbursed Expenses		
Miscellaneous Income		
Total Cash Receipts		
CASH DISBURSEMENTS:		
Transfer	1,387	
Distribution		
Total Cash Disbursements	1,387	
Receipts under Disbursements	(1,387)	
UNENCUMBERED CASH, BEGINNING BALANCE	<u>1,387</u>	<u>0</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

CITY OF HOLTON, KANSAS

CHEVIS FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
CASH RECEIPTS:		
Miscellaneous Income	\$	\$
Total Cash Receipts		
CASH DISBURSEMENTS:		
Other and Transfer	2,822	
Total Cash Disbursements	2,822	
Receipts over Disbursements	(2,822)	
UNENCUMBERED CASH, BEGINNING BALANCE	3,507	685
UNENCUMBERED CASH, ENDING BALANCE	\$ 685	\$ 685

CITY OF HOLTON, KANSAS

REVOLVING FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009	2010
	Actual	Actual
	<hr/>	<hr/>
CASH RECEIPTS:		
	\$ <hr/>	\$ <hr/>
Total Cash Receipts		
CASH DISBURSEMENTS:		
	<hr/>	<hr/>
Transfer	600	
	<hr/>	<hr/>
Receipts under Disbursements	(600)	
	<hr/>	<hr/>
UNENCUMBERED CASH, BEGINNING BALANCE	600	
	<hr/>	<hr/>
UNENCUMBERED CASH, ENDING BALANCE	\$ <hr/>	\$ <hr/>

CITY OF HOLTON, KANSAS

CLOCK FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
CASH RECEIPTS:		
Interest	\$ <u>28</u>	\$ <u>21</u>
Total Cash Receipts	<u>28</u>	<u>21</u>
CASH DISBURSEMENTS:		
Transfer	<u>514</u>	<u></u>
Total Cash Disbursements	<u>514</u>	<u></u>
Receipts over (under) Disbursements	(486)	21
UNENCUMBERED CASH, BEGINNING BALANCE	<u>556</u>	<u>70</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>70</u></u>	\$ <u><u>91</u></u>

CITY OF HOLTON, KANSAS

YOUTH PROGRAMS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
CASH RECEIPTS:		
Donations	\$ <u>10,000</u>	\$ <u></u>
Total Cash Receipts	10,000	
CASH DISBURSEMENTS:		
Contractual Services	<u></u>	<u>10,000</u>
Total Cash Disbursements	<u></u>	<u>10,000</u>
Receipts (under) over Disbursements	10,000	(10,000)
UNENCUMBERED CASH, BEGINNING BALANCE	<u></u>	<u>10,000</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>10,000</u></u>	\$ <u><u></u></u>

CITY OF HOLTON, KANSAS

CDBG GRANT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
	<hr/>	<hr/>
CASH RECEIPTS:		
	\$ <hr/>	\$ <hr/>
Total Cash Receipts		
CASH DISBURSEMENTS:		
Transfer	<hr/> 2,451	<hr/>
Total Cash Disbursements	<hr/> 2,451	<hr/>
Receipts (under) Disbursements	(2,451)	
UNENCUMBERED CASH, BEGINNING BALANCE	<hr/> 2,451	<hr/>
UNENCUMBERED CASH, ENDING BALANCE	\$ <hr/> <hr/>	\$ <hr/> <hr/>

CITY OF HOLTON, KANSAS

1992 PRINCIPAL & INTEREST

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	2009 Actual	2010 Actual
CASH RECEIPTS:		
Transfer from Electric Fund	\$ <u>356,520</u>	\$ <u>184,980</u>
Total Cash Receipts	356,520	184,980
CASH DISBURSEMENTS:		
Debt Service and Transfer	\$ <u>356,499</u>	\$ <u>184,950</u>
Total Cash Disbursements	<u>356,499</u>	<u>184,950</u>
Receipts over Disbursements	21	30
UNENCUMBERED CASH, BEGINNING BALANCE	<u>67,017</u>	<u>67,038</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>67,038</u></u>	\$ <u><u>67,068</u></u>

CITY OF HOLTON, KANSAS

2004 PRINCIPAL & INTEREST

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009 Actual</u>	<u>2010 Actual</u>
CASH RECEIPTS:		
Transfer from Electric Fund	\$ <u>363,600</u>	\$ <u>362,040</u>
Total Cash Receipts	363,600	362,040
CASH DISBURSEMENTS:		
Debt Service and Transfer	\$ <u>363,545</u>	\$ <u>361,945</u>
Total Cash Disbursements	<u>363,545</u>	<u>361,945</u>
Receipts over Disbursements	55	95
UNENCUMBERED CASH, BEGINNING BALANCE	<u>63,961</u>	<u>64,016</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>64,016</u></u>	\$ <u><u>64,111</u></u>

CITY OF HOLTON, KANSAS

2009 PRINCIPAL & INTEREST

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009 Actual</u>	<u>2010 Actual</u>
CASH RECEIPTS:		
Transfer from the Electric Fund	\$ <u>127,480</u>	\$ <u>218,100</u>
Total Cash Receipts	127,480	218,100
CASH DISBURSEMENTS:		
Debt Service	\$ <u> </u>	\$ <u>270,870</u>
Total Cash Disbursements	<u> </u>	<u>270,870</u>
Receipts over (under) Disbursements	127,480	(52,770)
UNENCUMBERED CASH, BEGINNING BALANCE	<u> </u>	<u>127,480</u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>127,480</u></u>	\$ <u><u>74,710</u></u>

CITY OF HOLTON, KANSAS

WATER BOND RESERVE

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010**

	2009 Actual	2010 Actual
	<hr/>	<hr/>
CASH RECEIPTS:		
	\$ <hr/>	\$ <hr/>
Total Cash Receipts		
CASH DISBURSEMENTS:		
	<hr/>	<hr/>
Total Cash Disbursements	<hr/>	<hr/>
Receipts over Disbursements		
UNENCUMBERED CASH, BEGINNING BALANCE	<hr/> 37,500	<hr/> 37,500
UNENCUMBERED CASH, ENDING BALANCE	\$ <hr/> 37,500	\$ <hr/> 37,500

CITY OF HOLTON, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2010

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 122,531	\$ 89,169	\$ 93,187	\$ (4,018)
Motor Vehicle Tax	<u>15,846</u>	<u>14,503</u>	<u>15,570</u>	<u>(1,067)</u>
Total Cash Receipts	138,377	103,672	<u>\$ 108,757</u>	<u>\$ (5,085)</u>
CASH DISBURSEMENTS:				
Debt Service	<u>125,022</u>	<u>125,733</u>	<u>\$ 125,734</u>	<u>\$ 1</u>
Total Cash Disbursements	<u>125,022</u>	<u>125,733</u>	<u>\$ 125,734</u>	<u>\$ 1</u>
Receipts over (under) Disbursements	13,355	(22,061)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>9,401</u>	<u>22,756</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 22,756</u>	<u>\$ 695</u>		

CITY OF HOLTON, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Holton, Kansas (City) are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2010.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds - to account for major capital expenditures not financed by other funds.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred.

The municipality has obtained a GAAP waiver from the State of Kansas, which thereby requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General

fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were budget amendments for the year ended December 31, 2010.

The statute permits transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- e. Component units:

The component units are reported separately to emphasize that they are legally separate from the City. The City is not aware of any component units at December 31, 2010.

2. TAXES

The City collects the following taxes from the city, state and county:

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Motor Vehicle Taxes – Since 1981, most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles from 30% to 20% of market value.

Sales Tax – On January 1, 1995, the City under Ordinance No. 1296, levied a Citywide retailers' sales tax at the rate of .25%. The tax will be used for the improvement and maintenance of the public streets.

In 2010, the City received the following from city, county and state taxes:

Property Taxes	\$ 1,007,906
Motor Vehicle Taxes	112,968
State Highway Aid	87,924
Sales Taxes	495,284
Local Alcohol Taxes	5,310
	<u>\$ 1,709,392</u>

The assessed valuation in 2010 was \$20,384,584, which was used to determine the mill levy for 2010. The mill levy was 51.828 for 2010 for the following funds:

General	41.372
Industrial	0.981
Library	4.904
Bond & Interest	<u>4.571</u>
	<u>51.828</u>

3. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$2,394,277, and the bank balances were \$2,436,705. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

The following represents information regarding certificates of deposit at December 31, 2010:

Under K.S.A. 12-1675, the City is limited to investment of idle funds as a result certificate of deposits are considered low risk.

	Maturity Date	Amount
Holton National Bank	9/29/2011	\$ 25,000
Holton National Bank	9/1/2011	15,000
Holton National Bank	5/9/2011	100,000
Holton National Bank	11/9/2011	50,000
Holton National Bank	11/30/2013	500
Holton National Bank	7/5/2011	30,000
Holton National Bank	5/6/2011	50,000
Holton National Bank	1/23/2011	45,000
Farmers State Bank	7/2/2012	30,252
Farmers State Bank	10/1/2012	125,853
Dension State Bank	1/20/2011	75,000
Dension State Bank	12/21/2012	34,029
Dension State Bank	5/14/2012	32,853
Dension State Bank	7/28/2011	50,000
Denison StateBank	2/16/2013	4,270
Dension State Bank	1/28/2012	13,808
Dension State Bank	7/9/2011	25,000
Dension State Bank	4/3/2012	51,158
Dension State Bank	5/15/2011	47,379
Dension State Bank	12/6/2013	6,000
Dension State Bank	4/24/2013	71,730
		<u>71,730</u>
		\$ <u>882,832</u>

4. UTILITIES

The City provides water, electrical, sewer, and solid waste. The City reads the meters at various times of the month, and they mail their utility bills on the 1st and 15th of each month. The utility bills are due on the 15 and the last day of the month. Payments received after the due date are subject to a late charge of 10% or no less than \$2.50 and no more than \$10.00. Late notices are mailed on the 16 and the 1st of the month.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

Cash deposits for the indicated utility services shall be in the following amounts:

- ... Water service - \$50.00
- ... Electric service - \$150.00

The deposit made shall be kept by the city clerk in a separate account and deposited in a fund designated for utility deposits. Interest shall be payable at the rate determined by the state corporation commission and credited to the customer's account January 1st of each calendar year.

Utility Rates for residential and commercial users are as follows:

Water:	Inside	Outside	
Minimum			
5/8 inch meter	\$ 25.00	\$ 40.00	Includes 1,000 gallons
3/4 inch meter	\$ 25.00	\$ 40.00	
1 inch meter	\$ 30.00	\$ 45.00	
1 1/2 inch meter	\$ 40.00		
2 inch meter	\$ 50.00	\$ 65.00	
3 inch meter	\$ 60.00		
4 inch meter	\$ 80.00	\$ 95.00	
6 inch meter and above	\$ 110.00	\$ 125.00	
Rate per next 1,000 gallons	\$ 4.30	\$ 5.70	
Rate per next 8,000 gallons	\$ 3.90		
Rate per next 5,000 gallons	\$ 3.50		
Rate per next 985,000 gallons	\$ 3.30		
Over 1,000,000 gallons	\$ 3.20		
Sewer:			
Minimum	\$ 10.73		Includes 1,000 gallons
Rate per 1,000 gallons	\$ 5.75		Residential
Electric: Residential Rate			
Minimum	\$ 7.00	\$ 9.00	Residential
Minimum	\$ 5.00	\$ 6.00	Small Business Rate
Minimum	\$ 15.00	\$ 22.00	Medium Business Rate
Minimum	\$ 18.00	\$ 22.00	Large Business Rate
Energy Charge	\$ 0.08495	\$ 0.08755	Residential
Trash:			
Residential	\$ 10.00		
Senior Citizen rate	\$ 7.50		

Aged Accounts Receivable due to the City as December 31, 2010 is \$328,011.

The following represents the date of the last rate change for the following utilities:

Water	1/1/2007
Electric	4/20/2009
Trash	7/1/2006
Sewer	4/4/2005

Effective January 2011 the City implemented a rate change for water and sewer.

5. LONG-TERM DEBT

The City's long-term debt is comprised of general obligation bonds, loans from the state and revenue bonds to finance the costs related to certain improvements of the City and are backed by the full faith and credit of the City at large and the City's inherent power to levy general ad valorem taxes and increase utility rates.

Changes in Long-Term Debt:

	Payable at 12/31/2009	Advances	Payments	Payable at 12/31/2010
General Obligation Bonds	\$ 4,365,000	\$	\$ 510,000	\$ 3,855,000
Revenue Bonds	1,285,000		260,000	1,025,000
Installment Note	167,645		29,644	138,001
Water Loan Fund	325,215		13,759	311,456
Sewer Loan Fund	4,831,121	112,196	135,858	4,807,459
	<u>\$ 10,973,981</u>	<u>\$ 112,196</u>	<u>\$ 949,261</u>	<u>\$ 10,136,916</u>

Interest Payments:

General Obligation Bonds	\$ 162,628
Revenue Bonds	63,995
Installment Note	6,706
Water Loan Fund	11,231
Sewer Loan Fund	138,822
	<u>\$ 383,382</u>

Total Debt Service:

General Obligation Bonds	\$ 672,628
Revenue Bonds	323,995
Installment Note	36,350
Water Loan Fund	24,990
Sewer Loan Fund	<u>274,680</u>
	<u>\$ 1,332,643</u>

General Obligation Bonds

General obligation bonds, series 2000A issued in the amount of \$925,000 (\$315,000 outstanding at December 31, 2010) are to be retired in the year 2014. Principal payments will be paid annually on December 1, ranging from \$40,000 to \$85,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 4.95% to 6.50%.

The bonds maturing on or before December 1, 2008 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2009 may be called for redemption and payment prior to maturity on December 1, 2008 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation bonds, series 2002A issued in the amount of \$2,615,000 (\$225,000 outstanding at December 31, 2010) are to be retired in the year 2012. Principal payments will be paid annually on December 1, ranging from \$110,000 to \$380,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 2.30% to 3.90%.

The bonds are not subject to redemption prior to maturity.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation refunding bonds, series 2004A issued in the amount of \$4,665,000 (\$2,975,000 outstanding at December 31, 2010) are to be retired in the year 2020. Principal payments will be paid annually on December 1, ranging from \$260,000 to \$340,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 2.00% to 4.00%.

The bonds maturing on or before December 1, 2013 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2014 may be called for redemption and payment prior to maturity on December 1, 2013 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City.

The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

General obligation bonds, series 2007 issued in the amount of \$400,000 (\$340,000 outstanding at December 31, 2010) are to be retired in the year 2022. Principal payments will be paid annually on December 1, ranging from \$20,000 to \$35,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 3.875% to 4.550%.

The bonds maturing on or before December 1, 2017 shall become due without option of prior payment. At the option of the City, bonds maturing on or after December 1, 2018 may be called for redemption and payment prior to maturity on December 1, 2017 without premium.

The governing body of the City shall annually make provision for the payment of principal and interest by levying and collecting the necessary taxes upon all of the taxable tangible property within the City. The proceeds from the taxes shall be deposited in the Principal and Interest Account, which shall be kept separate and apart from all other funds of the City and shall be used solely for the payment of the principal and interest of the bonds.

Revenue Bonds

Water utility system revenue bonds, series 1994A issued in the amount of \$525,000 (\$0 outstanding at December 31, 2010) were retired October 1, 2010. Principal payments began October 1, 1995, ranging from \$20,000 to \$50,000 and semi-annual interest was payable on April 1 and October 1. Interest rates ranged from 4.75% to 6.25%.

Bonds maturing on or after November 1, 2005 may, at the option of the City, be called for redemption and payment prior to maturity without premium.

The City is required to maintain a debt service coverage ratio of 1.30.

Electric system revenue bonds, series 1999A issued in the amount of \$5,240,000 (\$0 outstanding at December 31, 2010) are to be retired December 1, 2020. Principal payments will begin December 1, 1999, ranging from \$70,000 to \$375,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 3.50% to 5.15%.

The bonds maturing on or after December 1, 2010 are subject to redemption without premium.

The bonds were refinanced in 2004.

Electric utility system revenue bonds, series 2009 issued in the amount of \$1,235,000 (\$1,025,000 outstanding at December 31, 2010) are to be retired October 15, 2014. Principal payments will begin October 15, 2010, ranging from \$210,000 to \$275,000 and semi-annual interest will be payable April 15 and October 15. Interest rates range from 2.50% to 3.75%.

Water Loan Fund

In 2007, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Public Water Supply Loan Fund in an amount not to exceed \$357,605 (\$311,456 outstanding at December 31, 2010) at a gross interest rate of 3.49%. The purpose of the loan is to finance the construction of 12,065 linear feet of 6-inch distribution line, 27,370 linear feet of 8-inch distribution line, installation of turbidity monitoring equipment, and the addition of a fourth filter. The estimated cost of the project is \$2,836,500. The City was awarded a Community Development Block

Grant in 2002 for \$400,000. The City has obtained a waiver that allows the financial reporting to be on cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principals.

Sewer Loan Fund

In 2007, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Water Pollution Control Fund in an amount not to exceed \$5,500,000 (\$4,518,539 outstanding at December 31, 2010) at a gross interest rate of 3.49%.

In 2003, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Water Pollution Control Fund in an amount not to exceed \$2,005,536 (\$288,920 outstanding at December 31, 2010) at a gross interest rate of 4.22%.

Installment Note

In February 2004, the City entered into an installment agreement with Gary Anderson for the purchase of a building. The purchase price of the property was \$396,000 of which \$100,000 was paid down and \$296,000 was to be paid over 10 years. Principal and interest payments of \$36,350 begin February 2, 2005 through 2014. Interest rate is 4%.

Principal and interest payments of long-term debt are as follows:

General Obligation Bonds, Series 2000A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	75,000	17,098	92,098
2012	75,000	13,085	88,085
2013	80,000	9,036	89,036
2014	85,000	4,676	89,676
	<u>\$ 315,000</u>	<u>\$ 43,895</u>	<u>\$ 358,895</u>

General Obligation Refunding Bonds, Series 2002A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	115,000	8,660	123,660
2012	110,000	4,290	114,290
	<u>\$ 225,000</u>	<u>\$ 12,950</u>	<u>\$ 237,950</u>

General Obligation Refunding Bonds, Series 2004A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	260,000	105,446	365,446
2012	265,000	98,166	363,166
2013	275,000	90,216	365,216
2014	280,000	81,416	361,416
2015	290,000	71,896	361,896
2016	300,000	61,746	361,746
2017	310,000	50,946	360,946
2018	320,000	39,320	359,320
2019	335,000	27,000	362,000
2020	340,000	13,600	353,600
	<u>\$ 2,975,000</u>	<u>\$ 639,752</u>	<u>\$ 3,614,752</u>

General Obligation Bonds, Series 2007A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	20,000	14,016	34,016
2012	25,000	13,106	38,106
2013	25,000	11,968	36,968
2014	25,000	10,998	35,998
2015	25,000	10,030	35,030
2016	25,000	9,060	34,060
2017	30,000	8,092	38,092
2018	30,000	6,848	36,848
2019	30,000	5,602	35,602
2020	35,000	4,358	39,358
2021	35,000	2,906	37,906
2022	35,000	1,452	36,452
	<u>\$ 340,000</u>	<u>\$ 98,436</u>	<u>\$ 438,436</u>

Water Utility System Revenue Bonds

Year Ending	Principal	Interest	Total
	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

Electric Utility System Revenue Bonds, Series 2009

Year Ending	Principal	Interest	Total
2011	240,000	34,738	274,738
2012	250,000	27,538	277,538
2013	260,000	19,412	279,412
2014	275,000	10,312	285,312
	\$ <u>1,025,000</u>	\$ <u>92,000</u>	\$ <u>1,117,000</u>

Kansas Public Water Supply Loan Fund

Year Ending	Principal	Interest	Total
2011	14,243	10,747	24,990
2012	14,744	10,246	24,990
2013	15,264	9,726	24,990
2014	15,801	9,189	24,990
2015	16,357	8,633	24,990
2016	16,933	8,057	24,990
2017	17,529	7,461	24,990
2018	18,147	6,843	24,990
2019	18,785	6,205	24,990
2020	19,446	5,544	24,990
2021	20,131	4,859	24,990
2022	20,840	4,150	24,990
2023	21,573	3,417	24,990
2024	22,333	2,657	24,990
2025	23,118	1,872	24,990
2026	23,932	1,058	24,990
2027	12,281	214	12,495
	\$ <u>311,457</u>	\$ <u>100,878</u>	\$ <u>412,335</u>

Kansas Water Pollution Control Loan Fund

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	200	70,800	71,000
2012	200	70,800	71,000
2013	267,351	154,925	422,276
2014	276,736	145,541	422,277
2015	286,450	135,826	422,276
2016	296,506	125,771	422,277
2017	306,914	115,363	422,277
2018	317,687	104,589	422,276
2019	328,839	93,438	422,277
2020	340,382	81,895	422,277
2021	352,330	69,946	422,276
2022	364,698	57,579	422,277
2023	377,500	44,777	422,277
2024	390,751	31,525	422,276
2025	404,468	17,809	422,277
2026	207,527	3,611	211,138
	<u>\$ 4,518,539</u>	<u>\$ 1,324,195</u>	<u>\$ 5,842,734</u>

Kansas Water Pollution Control Loan Fund

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	141,443	10,717	152,160
2012	147,476	4,684	152,160
	<u>\$ 288,919</u>	<u>\$ 15,401</u>	<u>\$ 304,320</u>

Public Works Building

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	33,421	2,929	36,350
2012	34,130	2,220	36,350
2013	34,855	1,495	36,350
2014	35,595	755	36,350
	<u>\$ 138,001</u>	<u>\$ 7,399</u>	<u>\$ 145,400</u>

6. COMPLIANCE WITH BOND REQUIREMENTS

The City issued water utility system revenue bonds, series 1994A. As a result, the City was required to maintain a debt service coverage ratio of 1.30. However these bonds were retired October 1, 2010.

7. CONTRACTS

In 2002, the City entered into an agreement with Public Wholesale Water Supply District 18, Jackson County, Kansas (District) to buy water in quantities as may be required by the City. The City then entered into an amended agreement for no less than 5 years with the District in July 2007. The District has constructed a water treatment facility for the use of its members. The City has agreed to provide personnel to serve in the capacity as General Manager and Operations Manager for the District. The City has also agreed to dedicate two (2) full time water treatment operators to operate the facility. The District has agreed to pay the annual cost of \$120,000 paid in monthly installments of \$10,000, due to the City on the 15th of each month. The City pays the District a monthly base rate of \$25,000 plus \$1.47 per 1,000 gallons. They purchased 128,963,000 gallons in 2010.

In 1985, the City entered into an agreement with Western Resources, Inc. (formerly the Kansas Power and Light Company) to purchase all the electric power and energy required by the City to supplement the City's needs to the extent not supplied from the City's self-owned generation. This contract is for 20 years from June 1, 1998, and for one-year periods thereafter, unless notice of termination is given in writing from one party to the other at least two years prior to the end of the primary twenty-year term. In 2010, the City purchased 48,754,331 kilowatts from the Kansas Power Pool.

In June 2003, the City entered into an agreement with Waste Management, Inc. for the purpose of solid waste collection. The contract is for a period of 3 years, after that time period the agreement maybe renewed on a year to year basis. Parties shall notify the other party within 30 days of the annual anniversary date of the agreement to change the terms of the agreement.

8. PENSION PLAN

The City's full-time employees participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for employees covered by the System for 2010 was \$1,925,505 The City's total payroll for 2010 was \$2,052,424.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City was required by statute to contribute 6.14% using the full funding method, which funds current costs each year and past service liability over a 40-year period. The contribution requirement for the year ended December 31, 2010, was \$226,197, which includes \$20,148 for Employers Insurance, which consisted of \$82,343 from employees and \$123,706 from the City.

9. COMPENSATED ABSENCES FOR EMPLOYEES

Vacation is accrued based on the years of services as follow:

Years of Service	0-5 Years	5- and less than 10	10 less than 15	15 years and over
Hours Accrued Per Month	8	10	12	14
Maximum Accrued Hours	96	120	144	168

The City's personnel employed on a full time basis (40 hours per week) are eligible for paid vacation. Vacation leave earned by an employee is credited to the employee on the first day of the following pay period. The maximum accumulation of vacation leave shall be enforced on the last day of the payroll period for the month of an employee's hire date anniversary. Each employee who exceeds the maximum accumulation of vacation leave permitted for the length of service at the end of the payroll period for the month of their anniversary shall forfeit the excess vacation leave credits. The forfeited vacation may be restored with the written approval from the City Manager. Such forfeited leave may be restored if the employee was prevented from using such leave because of unavoidable circumstances. Any restored leave must be used by the end of the payroll period three months from the employee's anniversary date.

The City also has available sick time for all full time employees. Each employee will accrue at the rate of eight hours for each month of service, with a maximum accumulation of 960 hours (120 days). In case of dismissal, retirement, or resignation; employee unused sick leave will not be paid.

10. INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 150,142	\$ 17,448
Light Fund	906,289	19,761
LIEAP Fund	11,873	
Municipal Court Fund	17,448	
Water Fund	81,544	7,888
Sewer Fund	16,971	13,259
Trash Fund	8,000	
Library Fund	37,745	
Beck-Bookman Library		18,226
Special Street Fund	25,071	
1992 Principal & Interest		184,980
2004 Principal & Interest		362,040
2009 Principal & Interest		218,100
Money Market Interest	21,034	
Insurance Fund		434,417
	<u>\$ 1,276,118</u>	<u>\$ 1,276,118</u>

11. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, electricity, sanitation, and trash to customers located in Jackson County in Kansas. The City grants credit to those customers and requires no collateral.

12. RELATED PARTY TRANSACTIONS

In 2010 there were no material transactions with related parties.

13. CAPITAL PROJECTS

Capital projects and purchases for the year ending December 31, 2010 in excess of \$10,000 are as follows:

Midwest Coating - New City Hall Roof	\$22,410
GW VanKeppel - Chip Spreader	\$32,500
Instituform - Sewer Rehab Project	\$34,828
Foster Ford - New Police Car	\$22,375
Olsson & Associates - GIS Project	\$30,388
TBS Electronics - New Fire Radios	\$11,311
Utility HelpNet - Substation Improvements	\$12,315
	<u>\$166,127</u>

14. COMPLIANCE WITH KANSAS LAW

Kansas statutes require that fixed budgets be legally adopted for special revenue and enterprise funds. Actual expenditures compared to budgeted expenditures are included within this report

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations other than the item noted within during the year ended December 31, 2010 for the funds that were part of this audit, except for trash fund which actual disbursements exceed the budgeted amount. Also, the City reports bank balances not actual cash balances in their treasury report.

15. GRANT

The City was awarded a Federal Grant from U.S. Department of Homeland Security, for the rebuild of the electric plant, the original amount of \$2,580,199 in 2010 the City was approved for an additional \$2,000,000. In 2010 the City has received \$2,074,524 and expenditures of the same apportionment.

16. INVESTMENT IN WHOLESALE DISTRICT

Under Governmental Accounting Standard No. 14 Financial Reporting Entity, which establishes the standards for defining and reporting on the financial reporting participation in a joint venture, the City has not recorded their interest in the Public Wholesale District No. 18 under the equity method of accounting, which is required under Generally Accepted Accounting Principles. Under the equity method of accounting, all payments to Public Wholesale District No. 18 increase their investment distributions reduces the investment and the earnings or losses increase or decrease the investment respectively.

CITY OF HOLTON, KANSAS**SCHEDULE OF UTILITY STATISTICS****YEARS ENDED DECEMBER 31, 2003, 2004 , 2005, 2006, 2007, 2008, 2009 and 2010**

	2003	2004	2005	2006	2007	2008	
WATER							
Gallons of water sold	156,639,375	150,375,884	150,720,851	145,730,100	134,609,000	134,888,661	
Number of customers	1,514	1,523	1,523	1,539	1,539	1,548	
Average gallons sold per customer per month	8,622	8,228	8,247	7,891	7,289	7,261	
Gallons of water produced and purchased	233,547,700	213,650,000	191,836,000	166,647,300	159,900,700	166,691,000	1
Water Loss %	32.93%	29.62%	21.43%	12.55%	15.82%	19.08%	
ELECTRICITY							
Kilowatts of electricity sold	40,466,467	42,295,846	42,958,846	42,841,084	44,531,212	43,357,381	
Number of customers	2,344	2,369	2,369	2,373	2,423	2,871	
Average kilowatts sold per customer per month	1,439	1,488	1,511	1,504	1,532	1,258	

CITY OF HOLTON, KANSAS

SCHEDULE OF OTHER STATISTICS

YEARS ENDED DECEMBER 31, 2003, 2004 , 2005, 2006, 2007, 2008, 2009 and 2010

	2003	2004	2005	2006	2007	2008
Population	3,353	3,353	3,353	3,353	3,353	3,353
Valuations	16,152,239	16,382,726	16,496,493	17,260,858	1,828,940	19,085,428
Mill Levy - Total	44.739	50.969	48.690	48.507	48.295	50.560
Total Receipts	\$6,854,060	\$6,854,060	\$5,547,180	\$6,063,088	\$8,577,908	\$11,172,683
Total Disbursements	\$6,883,833	\$6,870,473	\$5,452,915	\$5,521,744	\$9,409,306	\$10,639,304
Receipts Per Capita	\$2,044	\$2,044	\$1,654	\$1,808	\$2,558	\$3,332
Disbursements Per Capita	\$2,053	\$2,049	\$1,626	\$1,647	\$2,806	\$3,172
Bond Indebtedness	\$8,834,361	\$8,260,344	\$12,860,204	\$12,538,433	\$14,887,111	\$12,167,072
Bond Indebtedness Per Capita	\$2,635	\$2,464	\$3,835	\$3,739	\$4,440	\$3,629

CITY OF HOLTON
Jackson County, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Program Receipts	Program Disbursements
Various Agencies	85.101		
Kansas Division of Emergency Management- Homeland Securities Award			
Grants		\$ 4,580,119	\$ 2,074,524
		<hr/>	<hr/>
Total		\$ <u>4,580,119</u>	\$ <u>2,074,524</u>

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Commission
City of Holton
Holton, Kansas

We have audited the financial statements of the City of Holton, Kansas, (City) as of and for the year ended December 31, 2010, as listed in the table of contents, and have issued our report thereon dated July 27, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Michael D. Peroo, CPA, PA

July 27, 2011

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Mayor and City Commission
City of Holton
Holton, Kansas

Compliance

We have audited the compliance of the City of Holton, Kansas (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the major federal program for the year ended December 31, 2010. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, except for not establishing a reserve account, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on their major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Michael D. Perro, CPA, PA
July 27, 2011

**CITY OF HOLTON
JACKSON COUNTY, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of City of Holton of Jackson County , Kansas.
2. No reportable conditions relating to the audit of the financial statements were noted.
3. No instances of noncompliance material to the financial statements of City of Holton were disclosed during the audit.
4. The auditors' report on compliance for the major federal program expresses an unqualified opinion.
5. There were no audit findings relative to the major federal program.
6. City of Holton of Jackson County, Kansas was not determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None